

Disciplinary and Other FINRA Actions

Firm Fined, Individual Sanctioned

Penn Plaza Brokerage, Ltd. (CRD #22366, New York, New York) and Leonard Thomas D'Angelo (CRD #60569, Registered Principal, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000, jointly and severally with D'Angelo. D'Angelo was suspended from association with any FINRA member in any capacity for 10 business days and suspended from association with any FINRA member in any principal capacity for 45 days. Without admitting or denying the findings, the firm and D'Angelo consented to the described sanctions and to the entry of findings that the firm, acting through D'Angelo, signed and submitted Uniform Applications for Securities Industry Registration or Transfer (Forms U4) to FINRA on behalf of an individual who was statutorily disqualified from associating with any member pursuant to Article III, Section 4(g) of FINRA's By-Laws. The findings stated that the firm and D'Angelo submitted the Forms U4 while aware of the individual's securities fraud-related criminal history and allowed the individual to become associated with the firm.

The suspension in any capacity was in effect from May 5, 2008, through May 16, 2008. The suspension in any principal capacity is in effect from May 19, 2008, through July 2, 2008. **(FINRA Case #2006004375702)**

Firms Fined

D.J. St. Germain Co., Inc. (CRD #3255, Springfield, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$75,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to execute a Trade Reporting and Compliance Engine (TRACE) participant application agreement and failed to report all of its TRACE-eligible self-cleared corporate securities transactions to TRACE. The findings stated that the firm failed to report all of its self-cleared municipal securities transactions to the Municipal Securities Rulemaking Board (MSRB). The findings also stated that the firm failed to maintain a reasonable supervisory system and written supervisory procedures related to TRACE and MSRB reporting requirements; failed to ensure its written supervisory procedures were updated, maintained and enforced; and failed to ensure that they were reasonably designed to achieve compliance with applicable federal securities laws, rules and regulations related to TRACE and MSRB reporting requirements. **(FINRA Case #2007007176601)**

E*Trade Securities, LLC (CRD #29106, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$500,000 and required to revise its written supervisory procedures regarding the Order Audit Trail System (OATS). Without admitting or denying the findings, the firm consented to the described sanctions and to

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FINRA® has taken disciplinary actions against the following firms and individuals for violations of NASD rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

the entry of findings that it failed to submit any New Order or Route Reports to OATS using the firm's market participant identifier. Instead, the firm's affiliate filed a New Order Report that identified the firm as the routing firm. The findings stated that the order receipt times the firm and its affiliate captured for orders received during normal market hours were virtually simultaneous. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning OATS. (FINRA Case #20070076245-01)

European American Equities, Inc. (CRD #45097, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it served as a placement agent that facilitated the sale of private offerings to public customers and raised \$100 million without implementing an Anti-Money Laundering (AML) Customer Identification Program (CIP). The findings stated that the firm failed to conduct adequate independent testing of its AML compliance program on an annual basis and failed to conduct adequate AML training for appropriate personnel during 2005 and 2006. (FINRA Case #2007007286201)

Goldman, Sachs & Co. (CRD #361, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$55,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it executed short sale transactions which the firm failed to report to the NASDAQ Market Center (NMC) with a short sale modifier, and failed to report the correct symbol indicating whether transactions were a buy, sell, sell short, sell short exempt or cross for transactions in reportable securities to the NMC. The findings stated that the firm submitted route or combined order/route reports to OATS that the OATS system was unable to link to the corresponding new order the destination member firm submitted due to inaccurate, incomplete or improperly formatted data. The findings also stated that the firm failed to report the correct contra-party's identifier for transactions in TRACE-eligible securities to TRACE, and failed to report transactions in TRACE-eligible securities to TRACE within 15 minutes of execution time. (FINRA Case #20041000190-01)

Jefferies & Company, Inc. (CRD #2347, Los Angeles, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$500,000, required to pay \$450,511.66, plus interest, in restitution to a customer and required to revise its supervisory procedures regarding recordkeeping, trade confirmations to customers, fair pricing and FINRA's markup policy. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it bought a distressed corporate debt security from a customer for its own account and later sold the same security for its own account to a customer and failed to sell the security at a price that was fair, taking into consideration all relevant circumstances, including market conditions at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings stated that, in its fixed-income area, the firm failed in many instances to create and maintain memoranda of brokerage

orders for orders that did not result in an execution, failed to reflect the accurate order entry time and/or order execution time on brokerage order memoranda, failed to reflect any order entry time and/or order execution time on brokerage order memoranda and failed to create and maintain any memoranda for some brokerage orders. The findings also stated that the firm failed in many instances to provide customers either at or before the completion of a transaction in a debt security subject to redemption before maturity, a statement to the effect that the debt security may be redeemed in whole or in part before maturity, that such a redemption could affect the yield represented and that additional information was available upon request. The findings also included that the firm failed to report the correct execution time for transactions in TRACE-eligible securities to TRACE and the correct number of bonds for one transaction in a TRACE-eligible security, and reported a transaction in a TRACE-eligible security with a special price modifier not applicable to the transaction to TRACE. FINRA found that the firm's supervisory system for its high-yield and distressed-bond desk did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning recordkeeping, trade confirmations to customers, fair pricing and FINRA's markup policy. FINRA also found that in certain instances, the firm could not produce any documentation indicating that any supervisory review relating to fair pricing and FINRA's markup policy had been conducted. **(FINRA Case #20050001683-03)**

J.P. Morgan Securities Inc. (CRD #18718, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$150,000 and required to revise its written supervisory procedures regarding NASD Rule 3310. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it advertised its trade volume for securities in private service providers and its aggregate trade volume (buy and sell) for equity securities advertised in the providers substantially exceeded its executed trade volume for the securities. The findings stated that the firm did not determine whether the trade volume that it advertised in these services accurately reflected its executed trade volume. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning NASD Rule 3310. The findings also included that the firm did not supervise the trade volume that it advertised in these systems. **(FINRA Case #20060067541-01)**

J.P. Morgan Securities Inc. (CRD #18718, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$185,000, ordered to pay \$299, plus interest, in restitution to customers and required to revise its written supervisory procedures regarding short sale reporting, TRACE trade reporting, trade reporting of municipal securities, riskless principal trade reporting, and best execution. Without admitting or denying the sanctions, the firm consented to the described sanctions and to the entry of findings that it executed numerous short sale transactions and failed to report them to the Automated Confirmation Transaction Service (ACT) with a short sale modifier due to a technology issue that inaccurately treated principal short sales as long sales. The findings stated that the firm submitted

to OATS New Order Reports and related subsequent reports where the timestamp for the related subsequent report occurred prior to the receipt of the order so that the OATS system was unable to create an accurate time-sequenced record from the receipt of the order through its resolution. The findings also stated that the firm failed to report the correct contra-party's identifier for transactions in TRACE-eligible securities to TRACE and failed to timely report Reportable Order Events (ROES) to OATS. The findings also included that the firm failed, within 90 seconds after execution, to transmit last sale reports of transactions in Over-the-Counter (OTC) equity securities to the OTC Reporting Facility and failed to designate some of them as late.

FINRA found that the firm failed to execute orders fully and promptly. In addition, FINRA found that the firm failed to report reports of transactions in municipal securities to the Real-time Transaction Reporting System (RTRS) and improperly reported transactions that it should not have. FINRA also found that the firm failed to report to the Trade Reporting Facility (TRF) the correct symbol indicating whether transactions were a buy, sell, sell short, sell short exempt or cross for transactions in reportable securities; failed to report whether it executed transactions in reportable securities in a principal or agency capacity; failed to report the correct execution time to the OTC Reporting Facility in one late last sale report of a transaction in an OTC equity security; failed to provide written notification disclosing to its customers its correct capacity in transactions; failed to submit required route reports to OATS and inaccurately submitted execution reports and a cancel report. In addition, FINRA determined that the firm executed sell orders and improperly marked the orders as short exempt; failed to submit to the TRF, for the offsetting, "riskless" portion of "riskless" principal transactions in designated securities, either a clearing-only report with a "riskless principal" capacity indicator or a non-tape, non-clearing report with a "riskless principal" capacity indicator; incorrectly reported to the TRF principal transactions when each was partially a principal transaction and partially a riskless principal transactions and failed to submit for the offsetting, "riskless" portion of "riskless" principal transaction in designated securities either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a "riskless principal" capacity indicator; failed to report the correct number of shares to the TRF of designated securities transactions in last sale reports; incorrectly reported to the TRF the second leg of a "riskless" principal transaction in designated securities because it incorrectly designated the capacity as "principal;" failed to provide written confirmation of transactions in municipal securities disclosing the correct yield to its customers; and failed to accept or decline in the TRF or OTC Reporting Facility transactions in reportable securities within 20 minutes after execution that it had an obligation to accept or decline as the order entry firm (OEID). Moreover, FINRA found that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations, and NASD and MSRB rules concerning short sale reporting, TRACE trade reporting, trade reporting, riskless principal trade reporting, and best execution. **(FINRA Case #20041000011-01)**

Lazard Capital Markets LLC (CRD #134736, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$30,000 and required to revise its written supervisory procedures regarding limit order protection, limit order display and quote dissemination, short sale reporting, disclosure of order routing information, disclosure of order execution information and OATS reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it made available reports on the covered orders in National Market System (NMS) securities it received for execution that included incorrect information as to not held orders. The findings stated that the firm submitted incorrect reports to OATS and accepted short sale orders in equity securities from another person, or effected short sales in equity securities for its own account, without documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD and SEC rules concerning limit order protection, limit order display and quote dissemination and short sale reporting. The findings also included that the firm failed to provide documentary evidence that during one month, it performed the supervisory reviews set forth in its written supervisory procedures concerning disclosure of order routing information, disclosure of order execution information and OATS reporting. **(FINRA Case #20060040925-01)**

Lehman Brothers Inc. (CRD #7506, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$125,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to accurately compute its net capital, and filed Financial Operational & Combined Uniform Single (FOCUS) reports with the New York Stock Exchange (NYSE) reflecting a net capital figure that incorrectly included \$1.49 billion of debt covered by supplemental subordinated indentures. The findings stated that the firm failed to make and/or preserve accurate books and records reflecting and/or relating to its net capital and excess net capital. **(FINRA Case #2007009486201)**

Lime Brokerage LLC (CRD #104369, New York, New York) submitted a Letter of Acceptance, Waiver and consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it accepted customer short sale orders in NASDAQ SmallCap Market securities and, for each order, failed to make an affirmative determination that the firm would receive delivery of the security on the customer's behalf, or that the firm could borrow the security on the customer's behalf for delivery by settlement date. **(FINRA Case #20070090222-02)**

Oppenheimer & Co. Inc. (CRD #249, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it executed short sale transactions and failed to report them to the TRF, formerly the NMC, with a short sale modifier. The findings

stated that the firm accepted short sale orders in equity securities, or effected short sales in equity securities for its own account without borrowing the security or entering into a *bona fide* arrangement to borrow the security; or without reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and without documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. The findings also stated that the firm had fail-to-deliver positions in threshold securities at a registered clearing agency for 13 consecutive settlement days and failed to immediately thereafter close out the fail to deliver positions by purchasing securities of like kind and quantity. The findings also included that the firm continued to have fail-to-deliver positions in the securities, which it failed to close out at the registered clearing agency. (FINRA Case #20050017145-01)

Schottenfeld Group LLC (CRD #128103, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to submit ROEs to OATS. The findings stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and NASD rules concerning OATS reporting. (FINRA Case #20050035481-01)

SIG Securities, L.L.C. nka Summitalliance Securities, L.L.C. (CRD #45915, Dallas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it effected transactions in TRACE-eligible securities and failed to report any of the trades to TRACE. The findings stated that the firm failed to establish, maintain and enforce a system and procedures reasonably designed to achieve compliance with applicable securities laws and NASD rules regarding trade reporting of TRACE-eligible securities. (FINRA Case #2007007167101)

State Street Global Markets, LLC (CRD #30107, Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it made available a report on the covered orders in NMS securities that it received for execution that included incomplete and incorrect information as to the number of covered orders and the classification of orders. (FINRA Case #20060042020-01)

Individuals Barred or Suspended

Kim Alan Almendinger (CRD #1037944, Registered Representative, Cleveland, Ohio) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000, which includes disgorgement of \$7,650 in proceeds from the sale of stock, and suspended from association with any FINRA member in any capacity for six weeks. In light of Almendinger's financial status, the fine imposed was \$15,000. The fine must be paid either immediately upon Almendinger's reassociation with a FINRA member firm

following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Almendinger consented to the described sanctions and to the entry of findings that he recommended a security to customers who bought shares of the security during the same period that Almendinger also bought shares for his own account. The findings stated that one of Alemendinger's relatives received shares of the same stock from a promoter for the issuer, and that the stocks were placed in an account at a non-member financial institution. Almendinger had a financial interest in the account. The findings also stated that Almendinger failed to notify his member firm, in writing, of the existence of the account and the transactions, including the receipt of the shares of stock and their sale. The findings also included that Almendinger failed to provide written notice to his member firm describing the transactions in detail and his role in the transactions.

The suspension in any capacity was in effect from May 5, 2008, through June 13, 2008. (FINRA Case #20050001915-01)

Cody Lynn Ashley (CRD #4711870, Registered Representative, San Angelo, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for two months. Without admitting or denying the findings, Ashley consented to the described sanctions and to the entry of findings that he signed a public customer's name to an annuity replacement form without the customer's knowledge or authorization.

The suspension in any capacity is in effect from May 19, 2008, through July 18, 2008. (FINRA Case #2007010400501)

Charles Edward Atwell (CRD #1208702, Registered Principal, Easley, South Carolina) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Atwell consented to the described sanction and to the entry of findings that he made unsuitable recommendations to public customers in connection with the sale of variable universal life policies without having a basis for making the recommendations given the customers' financial needs and circumstances. The findings stated that Atwell made material misrepresentations or omitted material facts concerning the transactions, including failure to disclose surrender fees, interest fees charged for withdrawals and large premium amounts to keep the policies from lapsing. The findings also stated that Atwell's total compensation from the unsuitable recommendations to the customers was \$138,973.83. (FINRA Case #2005001491701)

Andrew William Baum (CRD #2087276, Registered Representative, Beverly Hills, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Baum consented to the described sanction and to the entry of findings that he failed to respond to a FINRA request to provide documents and to attend an on-the-record interview. (FINRA Case #20070108993-01)

Kenyon Raymond Blocher (CRD #23722, Registered Principal, Indianapolis, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$4,500 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Blocher consented to the described sanctions and to the entry of findings that he engaged in a securities transaction in public customers' account without the customers' knowledge or consent, and in the absence of written or oral authorization for Blocher to exercise discretion in the account.

The suspension in any capacity was in effect from April 21, 2008, through May 2, 2008. **(FINRA Case #2007008415001)**

James Robert Brown (CRD #2515229, Registered Principal, Plano, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any principal or supervisory capacity for 90 days. Without admitting or denying the findings, Brown consented to the described sanctions and to the entry of findings that he failed to supervise registered representatives' activities, failed to investigate "red flags" of possible misconduct by the representatives and failed to enforce heightened supervisory measures against one of the representatives. The findings stated that Brown failed to put systems or procedures in place to ensure that another representative did not continue to make misrepresentations to public customers.

The suspension in any principal or supervisory capacity is in effect from May 19, 2008, through August 16, 2008. **(FINRA Case #2005001502702)**

Hal Butts Jr. (CRD #4029277, Registered Principal, Marietta, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000, suspended from association with any FINRA member in an Introducing Broker-Dealer (IB)/Financial and Operations Principal (FINOP) capacity for three months, and must re-qualify by exam as an IB/FINOP. The fine must be paid either immediately upon Butts' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Butts consented to the described sanctions and to the entry of findings that he failed to ensure that his member firm accurately computed its net capital, maintained accurate books and records, and filed accurate FOCUS reports. The findings stated that Butts allowed the firm to conduct a securities business while failing to maintain its required minimum net capital.

The suspension in an IB/FINOP capacity is in effect from May 5, 2008, through August 4, 2008. **(FINRA Case #2007008048101)**

Scott William Carothers (CRD #1899247, Registered Principal, Parkland, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in a FINOP capacity for six months. The fine must be paid either immediately upon Carothers' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without

admitting or denying the findings, Carothers consented to the described sanctions and to the entry of findings that he allowed his member firm to conduct a securities business while failing to maintain its required minimum net capital. The findings stated that Carothers caused his firm to make an inaccurate FOCUS filing and to have inaccurate books and records.

The suspension in a FINOP capacity is in effect from May 19, 2008, through November 18, 2008. **(FINRA Case #2006003678602)**

Frederic Ray Chavez (CRD #1419917, Registered Representative, San Antonio, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 90 days. The fine must be paid either immediately upon Chavez' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Chavez consented to the described sanctions and to the entry of findings that he failed to inform his member firm about a public customer's complaint—as his firm's procedures required—and entered into a settlement agreement with the customer in which he agreed to pay her \$60,000 to settle her complaint without his firm's knowledge or approval.

The suspension in any capacity is in effect from April 21, 2008, through July 19, 2008. **(FINRA Case #2006007383801)**

Vincent Chen (CRD #5331593, Associated Person, Bayside, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Chen's reassociation with a FINRA member firm following the suspension, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier. Without admitting or denying the findings, Chen consented to the described sanctions and to the entry of findings that he willfully failed to disclose material information on his Form U4.

The suspension in any capacity is in effect from May 5, 2008, through November 4, 2008. **(FINRA Case #2007009171701)**

Paul Jeremy Cromley (CRD #4083154, Registered Principal, Jackson, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Cromley's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Cromley consented to the described sanctions and to the entry of findings that he sold mutual fund positions in a public customer's account and purchased shares in another mutual fund, without the customer's knowledge or consent and in the absence of written or oral authorization to exercise discretion in the account.

The suspension in any capacity was in effect from May 5, 2008, through June 3, 2008. (FINRA Case #2007010728901)

Angel Cruz (CRD #1988787, Registered Principal, San Francisco, California), Anthony Joseph Martinez (CRD #1568443, Registered Principal, Lake Grove, New York) and Jericho Guazon Nicolas (CRD #2030192, Registered Representative, San Francisco, California) were barred from association with any FINRA member in any capacity. The National Adjudicatory Council (NAC) imposed the sanctions following appeal of an Office of Hearing Officers (OHO) decision. The findings stated that Cruz, Martinez and Nicolas participated in a fraudulent scheme to trade ahead of customers' orders and reap risk-free trading profits; made material omissions in their communications with a public customer; and caused their member firm to issue false trade confirmations. The findings also stated that Martinez failed to provide a customer with best execution. (FINRA Case #CAF040052)

Duane McKay Deane (CRD #4924221, Associated Person, Woodbridge, New Jersey) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Deane improperly obtained and misused \$8,800 by using his corporate credit card for cash advances to pay for personal items and failed to make payments to the credit card company or reimburse his member firm. The findings stated that Deane failed to respond to FINRA requests for information. (FINRA Case #2006007483801)

Aileen Nicole Dugan (CRD #3036090, Registered Representative, Rye, New Hampshire) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Dugan consented to the described sanctions and to the entry of findings that she signed a trustee's name on a variable life insurance policy asset allocation form without the trustee's authorization or consent, and submitted the form to the insurance company.

The suspension in any capacity was in effect from May 5, 2008, through June 3, 2008. (FINRA Case #2007008637901)

Terry L. Edlen (CRD #4469076, Registered Representative, Springfield, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Edlen consented to the described sanction and to the entry of findings that, in order to increase his production and earn additional commissions, he completed and traced a public customer's signature on documents in connection with the purchase of a term life insurance policy, and paid the initial premium for the policy without the customer's knowledge and consent. (FINRA Case #2007008631401)

Davis Allen Estes (CRD #2329026, Registered Representative, Stafford, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Estes consented to the described sanction and to the entry of findings that he received a \$58,000 check from a public customer for investment purposes and instead of investing the money, deposited the check into his personal account without the customer's knowledge or authorization. The findings stated that Estes failed to respond to FINRA requests for information and documents, and failed to appear to testify. **(FINRA Case #2007010939801)**

Michael Walter Firehock (CRD #4413978, Registered Representative, Hopewell Junction, New York) submitted an Offer of Settlement in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Firehock's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Firehock consented to the described sanctions and to the entry of findings that he willfully failed to disclose material information on his Form U4. The findings stated that Firehock engaged in outside business activities without prompt written notice to his member firm, and submitted documents with false information to his member firm that claimed that he was no longer involved in outside business activities.

The suspension in any capacity is in effect from April 21, 2008, through April 20, 2010. **(FINRA Case #2006004978301)**

Darin Michael Forgacs (CRD #2643825, Registered Representative, Livonia, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Forgacs consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information and documents. **(FINRA Case #20070085061-01)**

Kevin Thomas Forrester (CRD #4094887, Registered Representative, Phoenix, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Forrester consented to the described sanction and to the entry of findings that he received \$1 million from public customers to invest on the customers' behalf but, instead, converted the bulk of the funds to his own use and benefit and used some of the funds to repay other persons who had given him funds for investment. The findings stated that Forrester failed to respond to FINRA requests for documents and information. **(FINRA Case #2007008478903)**

Charles Rodney George (CRD #1024791, Registered Supervisor, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, George consented to the described sanction and to the entry of findings that

he engaged in deceptive practices to facilitate a payment of funds from a customer through improper means, including omitting material information pertaining to his financial history and making material misrepresentations concerning collateral and his ability to repay a purported loan. The findings stated that George falsely represented on his member firm's compliance certifications that he had not borrowed money from any public customers. The findings also stated that George requested that a notary public, who was an employee of the firm, notarize a signature previously completed by a firm customer who was not present at the time of the notarization. **(FINRA Case #2007009521501)**

Nevin Jon Gillette (CRD #1505851, Registered Principal, Sterling, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Gillette consented to the described sanction and to the entry of findings that he fraudulently induced public customers to invest between \$2.5 and \$7 million in guaranteed investment contracts (GICs) and created false account statements that supposedly verified that the GICs had been purchased. The findings stated that Gillette used the mails or other instruments of interstate commerce or the facilities of a national exchange to employ a device, scheme or artifice to defraud, and engaged in acts, practices and courses of business that operated as a fraud or deceit upon person in connection with the purchase or sale of securities, in that he used the telephone system to falsely tell investors that he would use their funds to invest in GICs. The findings also stated that Gillette converted the money and used the funds for his own purposes. The findings also included that Gillette wired \$354,717.19 into an investor's bank account in an attempt to settle a customer complaint so that he could continue his fraudulent scheme. FINRA found that Gillette failed to respond to FINRA requests for information. **(FINRA Case #2006007067401)**

Shawn M. Gruber (CRD #4943125, Registered Representative, Springfield, Ohio) was fined \$5,000, suspended from association with any FINRA member in any capacity for three months and must requalify by exam in all capacities. The fine is due and payable when Gruber returns to the securities industry. The sanctions were based on findings that Gruber signed public customers' names on life insurance policy applications and related medical questionnaires without the knowledge or consent of the insured or the customer.

The suspension in any capacity is in effect from May 5, 2008, through August 3, 2008. **(FINRA Case #2006007513001)**

Scott Perry Hailperin aka Scott Perry Halperin (CRD #1421253, Registered Representative, Maitland, Florida) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Hailperin consented to the described sanction and to the entry of findings that he received \$7,000 from a public customer for investment purposes but, instead, converted some of the funds to his own use and benefit. **(FINRA Case #2006005161001)**

Aric Kyle Heiselman (CRD #4453249, Registered Representative, Lancaster, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Heiselman's reassociation with a FINRA member firm following his suspension, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier. Without admitting or denying the findings, Heiselman consented to the described sanctions and to the entry of findings that in order to transfer a public customer's Individual Retirement Account (IRA) from a broker-dealer to his member firm, he instructed his assistant to impersonate the customer in a conversation with the firm's representative. The findings stated that Heiselman falsely identified himself on the telephone as the same customer with a representative of another brokerage firm to complete a requested rollover of the customer's 401(k) account to Heiselman's firm.

The suspension in any capacity was in effect from April 21, 2008, through June 2, 2008. (FINRA Case #2007009474901)

Brad Robert Iannacchione (CRD #4082480, Registered Principal, New Kensington, Pennsylvania) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Iannacchione consented to the described sanction and to the entry of findings that he forged public customers' initials and/or signatures on account documents. (FINRA Case #2007010414801)

Leonard Johnson (CRD #5286860, Associated Person, Baltimore, Maryland) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Johnson consented to the described sanction and to the entry of findings that he willfully failed to disclose material information on his Form U4. The findings stated that Johnson failed to respond to FINRA requests for information. (FINRA Case #2007008697601)

Katherine Patricia Kozub (CRD #4709011, Registered Representative, Parma, Ohio) submitted an Offer of Settlement in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 days. The fine must be paid either immediately upon Kozub's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Kozub consented to the described sanctions and to the entry of findings that she completed a Firm Element Continuing Education test on another registered representative's behalf in violation of NASD rules.

The suspension in any capacity is in effect from May 19, 2008, through June 17, 2008. (FINRA Case #2005003511203)

Paul S. Kuklinski (CRD #4755396, Registered Representative, Santa Barbara, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$200,000, which included disgorgement of unlawful profits of \$185,972.67, and barred from association with any FINRA member in any capacity. The fine must be paid prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Kuklinski consented to the described sanctions and to the entry of findings that he executed purchases or sales of securities issued by companies he followed 30 calendar days before, and five calendar days after, the publication of a research report he authored concerning the relevant company. The findings stated that Kuklinski executed securities transactions in a manner inconsistent with his recommendations in the most recent published research report concerning the relevant company. The findings also stated that Kuklinski opened a personal securities account at a member firm although he was associated with another member firm, and failed to notify either firm in writing of his association or relationship with the other. **(FINRA Case #20070083155-01)**

Dening Suzanne Lohez (CRD #2920965, Registered Representative, New York, New York) submitted an Offer of Settlement in which she was fined \$5,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Lohez' reassociation with a FINRA member firm following her suspension, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier. Without admitting or denying the allegations, Lohez consented to the described sanctions and to the entry of findings that she possessed unauthorized materials while taking the general securities representative examination.

The suspension in any capacity is in effect from May 5, 2008, through May 4, 2010. **(FINRA Case #2006005954101)**

Louis Steven Majano Jr. (CRD #2520626, Registered Representative, Roslyn Heights, New York) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Majano consented to the described sanction and to the entry of findings that he made unauthorized withdrawals totaling \$20,500 from a public customer's account. The findings stated that Majano failed to respond to FINRA requests for information. **(FINRA Case #2007008964101)**

Ralph A. Mancero (CRD #5268965, Registered Representative, Elmwood Park, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Mancero consented to the described sanction and to the entry of findings that he misappropriated \$50 of a public customer's funds that he received to deposit in the customer's bank account, but he failed to do so. **(FINRA Case #2007010610101)**

Adam Donald March (CRD #5228950, Registered Representative, North Tonawanda, New York) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, March consented to the described sanction and to the entry of findings that he signed public customers' names on insurance applications without their authorization or consent. The findings stated that March failed to appear for a FINRA on-the-record interview. **(FINRA Case #2007009891601)**

Andrew John Mariani (CRD #3254418, Registered Representative, Wellington, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Mariani consented to the described sanction and to the entry of findings that he knowingly conspired with another individual to unjustly enrich themselves by inducing people to invest money on the basis of materially false pretenses, representations and promises, and omissions of material facts. **(FINRA Case #2008012418201)**

Eric W. Mason (CRD #4637122, Registered Representative, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$175,000, which includes disgorgement of \$157,832.58 in benefits received, and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the findings, Mason consented to the described sanctions and to the entry of findings that he entered priced limit orders in NASDAQ securities for a proprietary account at his member firm at prices intended to impact the pre-opening best bid or offer (BBO), knowing that the full price and size of the orders would be reflected in the public quotation system as the best prices and sizes at which a market participant was willing to buy or sell the securities, and induced other market participants to reflect bids (offers) similar to the price of the displayed limit orders. The findings stated that Mason intentionally entered non-displayable odd lot limit orders to buy or sell securities into NASDAQ on the opposite side of the market, creating a crossed market knowing that the non-displayed orders would be executed against other participants' quotations during the pre-opening spin, and did buy and sell on an automated basis during the pre-opening spin. The findings also stated that after the displayed quotations had induced other market participants to enter similar quotations, and prior to the pre-opening spin, Mason intentionally and knowingly canceled most of the displayed priced limit orders he had entered into NASDAQ and, in some instances, prior to the pre-opening spin, updated the original displayed order with another displayed order, canceling the original displayed order. The findings also included that by engaging in this course of conduct, Mason bought (sold) shares of the securities at prices that were lower (higher) than he would have otherwise been able to buy (sell) the securities, thereby receiving a financial benefit of \$157,832.58.

Mason's suspension in any capacity is in effect from May 5, 2008, through May 4, 2009. **(FINRA Case #20050001741-02)**

Malvinder Sonny Matharu (CRD #2650655, Registered Supervisor, Redondo Beach, California) submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for two years. The fine must be paid either immediately upon Matharu's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Matharu consented to the described sanctions and to the entry of findings that he failed to respond to questions during a FINRA on-the-record interview.

The suspension in any capacity is in effect from April 21, 2008, through April 20, 2010. **(FINRA Case #C0220050006)**

Blair Christopher Mielke (CRD #1878222, Registered Representative, Newburgh, Indiana) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. Without admitting or denying the findings, Mielke consented to the described sanctions and to the entry of findings that he engaged in private securities transactions without prior written notice to, and written approval from, his member firm.

The suspension in any capacity is in effect from May 19, 2008, through November 18, 2008. **(FINRA Case #20060054450-05)**

Gregory Thomas Murray (CRD #343607, Registered Principal, Scottsdale, Arizona) submitted an Offer of Settlement in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the allegations, Murray consented to the described sanction and to the entry of findings that he failed to appear to testify at a FINRA disciplinary hearing. **(FINRA Case #2007009702901)**

Paul Douglas Paratore (CRD #2054004, Registered Representative, Webster, New York) was barred from association with any FINRA member in any capacity. The NAC imposed the sanction following appeal of a Hearing Panel decision. The NAC imposed separate bars against Paratore for converting \$3,772.71 of a public customer's insurance premiums and settling four customer's complaints without the member firm's knowledge or authorization. **(FINRA Case #2005002570601)**

Richard Steven Petrell (CRD #715635, Registered Representative, Jamesville, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Petrell consented to the described sanction and to the entry of findings that he obtained over \$17,000 from his member firm by submitting falsified expense reimbursement requests. **(FINRA Case #2007008318201)**

Franklin Brent Porter (CRD #829580, Registered Representative, Salt Lake City, Utah) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$2,500 and suspended from association with any FINRA member in any capacity for 10 business days. The fine must be paid either immediately upon Porter's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Porter consented to the described sanctions and to the entry of findings that he engaged in outside business activities, for compensation, contrary to his member firm's written procedures that require that representatives obtain the firm's prior written permission. The findings stated that Porter's firm never received, reviewed or approved a written request.

The suspension in any capacity was in effect from April 21, 2008, through May 2, 2008. (FINRA Case #2007008195901)

John Michael Repine (CRD #1010844, Registered Principal, Spring Hill, Kansas) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Repine engaged in deceptive market timing by assisting hedge funds in circumventing restrictions that mutual fund companies imposed. The findings stated that Repine failed to respond truthfully to FINRA requests for information and documents. (FINRA Case #E0420030634-04)

Alice May Rice (CRD #2429664, Registered Representative, Fairmont, West Virginia) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Rice consented to the described sanction and to the entry of findings that she received \$100,000 from a public customer to purchase an equity-indexed annuity and instead of investing the money, used the funds for her own benefit. (FINRA Case #2008012281401)

Walter Alan Sayers (CRD #5228083, Associated Person, Tampa, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for four months. The fine must be paid either immediately upon Sayers' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sayers consented to the described sanctions and to the entry of findings that he willfully failed to disclose a material fact on his Form U4.

The suspension in any capacity is in effect from April 21, 2008, through August 20, 2008. (FINRA Case #2006006902501)

Dale Eugene Shields II (CRD #5101892, Associated Person, Middletown, Ohio) submitted an Offer of Settlement in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the allegations, Shields consented to the described sanctions and to the entry of findings that he provided false information on his Form U4.

The suspension in any capacity was in effect from April 21, 2008, through June 2, 2008. (FINRA Case #2006005506601)

Aurora Javier Tucay (CRD #5306540, Associated Person, Chicago, Illinois) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Tucay withdrew \$8,000 from her cash drawer and the vault at her member firm's bank affiliate without permission, and used the funds for her own purposes. The findings stated that Tucay failed to respond to FINRA requests for information. (FINRA Case #20070092769)

James Douglas Walker (CRD #1446801, Registered Representative, Phoenix, Arizona) submitted an Offer of Settlement in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Walker's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Walker consented to the described sanctions and to the entry of findings that he engaged in private securities transactions, for compensation, without prior written notice to, or written approval from, his member firm.

The suspension in any capacity is in effect from April 21, 2008, through October 20, 2008. (FINRA Case #2006004754302)

Joshua Caine Wimberley (CRD #4536480, Registered Representative, Houston, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Wimberley consented to the described sanction and to the entry of findings that he received checks totaling \$948 from public customers as payment of insurance premiums but, instead, deposited the checks into his personal bank account and made personal use of the funds without the customers' knowledge or consent. (FINRA Case #2007009237401)

Steven Wood (CRD #3073759, Registered Supervisor, Encino, California) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Wood consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information and documents, and to appear for a FINRA on-the-record interview. (FINRA Case #2007007809101)

David Wu (CRD #726970, Registered Representative, San Francisco, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Wu consented to the described sanctions and to the entry of findings that he purchased securities issued by companies he followed in his capacity as a research analyst 30 calendar days before, and ending five calendar days after, the publication of research reports concerning one or more of the companies.

The suspension in any capacity was in effect from May 19, 2008, through June 2, 2008. (FINRA Case #20060037540-02)

Decision Issued

The following decision has been issued by the Office of Hearing Officers and has been appealed to or called for review by the NAC as April 30, 2008. The may NAC may increase, decrease, modify or reverse the finding and sanctions imposed in the decisions. Initial decisions whose time for appeal has not yet expired will be reported in the next issue of FINRA Notices.

Shane Alexander Selewach (CRD #2936484, Registered Principal, Hyannis, Massachusetts) was barred from association with any FINRA member in any capacity and ordered to provide full restitution to the public customers from whom he borrowed funds to the extent those customers have not been repaid. The sanctions were based on findings that Selewach misused public customers' funds by depositing \$71,000 intended for investment purposes into an account he controlled and used the funds for various personal expenses. The findings stated that Selewach borrowed \$158,500 from public customers, contrary to his member firm's supervisory procedures that specifically prohibit registered representatives from borrowing money from customers, other than immediate family members.

This decision has been appealed to the NAC and the sanctions are not in effect pending consideration of the appeal. **(FINRA Case #2006005005301)**

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding these allegations in the complaint.

Kevin Lee Mathis (CRD #2858756, Registered Principal, San Antonio, Texas) was named as a respondent in a FINRA complaint alleging that he converted to his own use and misappropriated over \$60,000 from a deceased public customer's account by submitting documents that bore the customer's forged signature, and engaged in unauthorized transactions in the customer's account. The complaint alleges that Mathis failed to respond to FINRA requests to give testimony. **(FINRA Case #2007008650301)**

Thomas James Mulvey Jr. (CRD #1851436, Registered Representative, Lincoln, Rhode Island) was named as a respondent in a FINRA complaint alleging that he engaged in unauthorized transactions in a customer's account, in that he liquidated all of the customer's mutual fund shares and then invested \$75,000 in proceeds in a variable annuity without discretionary authorization or power of attorney. The complaint alleges that Mulvey falsely certified on a firm form that he had obtained identification information directly from the customer. The complaint also alleges that Mulvey inserted false information on the form and submitted the form to his member firm, causing it to maintain a false record. **(FINRA Case #2006007021201)**

Charles William Wannen III (CRD #2453110, Registered Representative, Hicksville, New York) was named as a respondent in a FINRA complaint alleging that he engaged in a pattern of unsuitable and excessive trading in public customers' accounts. The complaint alleges that Wannen filed false and inaccurate information on new account forms for the customers without their knowledge, authorization or consent, causing his member firm's books and records to be inaccurate. **(FINRA Case #ELI2004035403)**

Kelly Demetrius Wright (CRD #2062526, Registered Principal, Chicago, Illinois) was named as a respondent in a FINRA complaint alleging that he exercised discretion in effecting stock and option transactions in public customers' accounts without prior written authorization from the customers and his member firm. The complaint alleges that Wright executed securities transactions in the customers' accounts that were not suitable for the customers in view of the customers' financial situation and investment objectives. The complaint also alleges that Wright, directly or indirectly, in connection with the purchase or sale of securities, by the use of means or instrumentalities of interstate commerce, or of the mails, employed devices schemes or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices or courses of business which operated or would operate as a fraud or deceit upon purchasers or prospective purchasers. The complaint further alleges that Wright engaged in outside business activities and did not provide his member firm with written notice of this activity. **(FINRA Case #2005000346102)**

Firm Expelled for Failure to Pay Fines and/or Costs Pursuant to NASD Rule 8320

Dublind Securities, Inc.
Greenwich, Connecticut
(April 23, 2008)

Firms Suspended for Failure to Supply Financial Information

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Brookstreet Securities Corporation
San Juan Capistrano, California
(April 21, 2008)

Golf Host Securities, Inc.
Palm Harbor, Florida
(April 10, 2008 – April 16, 2008)

Huntington Party Securities, Ltd.
Stamford, Connecticut
(April 10, 2008)

L. Dwight Searcy
Naples, Florida
(April 21, 2008)

Quantum Securities, Inc.
Boca Raton, Florida
(April 10, 2008)

River Capital Markets, LLC
Bloomfield Hills, Michigan
(April 21, 2008)

Upstream Capital Partners, LP
Irving, Texas
(April 10, 2008)

Westland Securities, LLC
Scottsdale, Arizona
(April 10, 2008)

Firm Suspended Pursuant to NASD Rule 9553 for Failure to Pay Annual Assessment Fees

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Fifth Street Capital, LLC
Austin, Texas
(March 26, 2008 – April 2, 2008)

Individuals Revoked for Failing to Pay Fines and/or Costs Pursuant to NASD Rule 8320

Aditya B. Mukerji
Oakland, California
(April 23, 2008)

Juan Carlos Murillo
Miami Beach, Florida
(April 23, 2008)

Nestor Joseph Olivier
Saddle River, New Jersey
(April 23, 2008)

Florence Sarah Pollard
La Jolla, California
(April 23, 2008)

Individual Barred Pursuant to NASD Rule 9552(h)

(If the bar has been vacated, the date follows the bar date.)

Coco Chanel Worthy
Atlanta, Georgia
(April 10, 2008)

Individuals Suspended Pursuant to NASD Rule 9552(d)

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Robert Joseph Alaniz
Glendale, Arizona
(April 28, 2008)

Robert Quincy Brown
Jacksonville, Florida
(April 24, 2008)

Stacy Noel Famageltto
Aurora, Ohio
(April 21, 2008)

Mark Francis Healey
New York, New York
(April 28, 2008)

Rex Eugene Peterson
Muskogee, Oklahoma
(April 4, 2008)

Anthony Antwon Reed
Pontiac, Michigan
(April 14, 2008)

John Thomas Sadowski Jr.
Daytona Beach, Florida
(April 28, 2008)

Erica D. Smith
Granville, Ohio
(April 25, 2008)

Stephen Wesley Taylor
Sneads Ferry, North Carolina
(April 14, 2008)

Individuals Suspended Pursuant to NASD Rule Series 9554 for Failure to Comply with an Arbitration Award or Settlement Agreement

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Robert Dorsey Bell
Atlanta, Georgia
(April 17, 2008)

Gauro Coen
Jamaica Plain, Massachusetts
(July 26, 2007 – April 25, 2008)

Allen Myles Darby
Cornelius, North Carolina
(April 24, 2008)

Mark Randolph Delvalle
Merrick, New York
(April 17, 2008)

John Derek Elwin
Lake Worth, Florida
(April 24, 2008)

Steven Joseph Emsley
Ponte Vedra Beach, Florida
(April 24, 2008 – April 29, 2008)

Joseph Desmond Fitzgerald III
New York, New York
(April 2, 2008)

Carl Frazier Hyde Jr.
Prospect, Kentucky
(April 2, 2008)

William Edward Kassar Jr.
Lattingtown, New York
(April 3, 2008)

John Joseph Kennedy
Wayne, Pennsylvania
(April 2, 2008)

David Kotowski

Cold Spring Harbor, New York
(April 24, 2008)

Larry Ray Margozewitz

San Antonio, Texas
(April 2, 2008)

Glen James Meyer

Mt. Sinai, New York
(April 2, 2008)

James Thomas Patten

Bernardsville, New Jersey
(April 24, 2008)

Jacob Philip Perdie

Highland Beach, Florida
(April 17, 2008)

Cary Noah Reichbach

Boca Raton, Florida
(April 9, 2008)

Vanessa Rivera-Laboy

San Juan, Puerto Rico
(April 24, 2008)

Crystal Lynn Steele

Richmond, Texas
(April 24, 2008)

Kenneth John Strachan

Sunapee, New Hampshire
(April 24, 2008)

John Alex Vasiliadis

Boca Raton, Florida
(April 16, 2008)

FINRA Hearing Panel Dismisses 2004 Sales Practices Complaint Against H&R Block Financial Advisors

A Financial Industry Regulatory Authority (FINRA) Hearing Panel dismissed a November 2004 complaint against H&R Block Financial Advisors alleging sales practices and supervisory violations relating to sales of Enron Corporation bonds during the one-month period immediately preceding Enron's filing for bankruptcy protection on Dec. 2, 2001.

The panel ruled that FINRA's Department of Enforcement failed to show by a preponderance of evidence that H&R Block registered representatives misrepresented or omitted material facts in connection with sales of Enron bonds, or that the firm failed to implement adequate supervisory systems and procedures.

The panel issued a detailed, 54-page decision, which can be found at <http://www.finra.org/web/groups/enforcement/documents/enforcement/p038391.pdf>.

FINRA's National Adjudicatory Council Affirms \$5 Million Fine Against American Funds Distributors for Violating FINRA's Anti-Reciprocal Rule

A \$5 million fine imposed against American Fund Distributors (AFD) for directed brokerage in 2006 will stand, according to a ruling issued by the National Adjudicatory Council (NAC), the appeals body of the Financial Industry Regulatory Authority (FINRA).

The NAC upheld a FINRA Hearing Panel decision finding that AFD violated FINRA's Anti-Reciprocal Rule when it directed more than \$98 million in brokerage commissions between 2001 and 2003 to the 46 retail securities firms that were the top sellers of its mutual funds.

AFD is the principal underwriter and distributor of American Funds, a family of 29 mutual funds. In ruling on AFD's appeal of the Hearing Panel decision, the NAC concluded that AFD arranged for the direction of a specific amount or percentage of brokerage commissions to other securities firms conditioned upon those firms' sales of American Funds shares, an "outright" violation of FINRA's Anti-Reciprocal Rule.

The NAC also concluded that AFD's requests and arrangements for the direction of brokerage, conditioned upon sales, was directly at odds with the goal of the Anti-Reciprocal Rule, which is "to curb conflicts of interest that might cause retail firms to recommend investment company shares based upon the receipt of commissions from that investment company."

In the decision, the NAC emphasized that AFD tracked, monitored, and facilitated the directed brokerage payments by identifying the top-selling retail firms of American Funds, providing its investment adviser with the amount of commissions to be sent, and monitoring its investment adviser's trading with, and the payment of commissions to, the selected retail firms throughout the year. The NAC also highlighted the fact that AFD directed commissions to "step-out firms"—retail firms that had no capability to execute portfolio trades for American Funds, but nevertheless obtained commissions indirectly from clearing firms that did execute the trades.

In assessing sanctions, the NAC articulated its concern that directed brokerage arrangements, like those employed by AFD “tended to undermine the rules of fair competition envisioned by the rule.” The NAC explained that “AFD’s target commission payments amounted to undisclosed additional sales commissions that would harm other mutual funds families’ ability to compete in the market to sell their mutual funds to the investing public” and “triggered the potential for preferential treatment for American Funds’ mutual funds to the disadvantage of other mutual funds in the industry.”

The NAC also found that AFD’s conduct was intentional, not negligent as the Hearing Panel had concluded. “The evidence demonstrates that AFD deliberately formed directed brokerage arrangements with the top-selling retailers of American Funds’ mutual funds,” the NAC’s decision says. “AFD tracked (its investment adviser’s) trading activity with the retail firms and monitored the execution of these arrangements to ensure proper crediting of the targeted commission payments. AFD also ceased payments to step-out firms, and modified its calculation of target commissions, as regulators began to question the use of directed brokerage in the mutual fund industry. There is no evidence in the record to support a finding that AFD’s conduct was negligent.”

Although the NAC emphasized these and other aggravating factors, it noted that there was no evidence that AFD was unjustly enriched, that American Funds’ shareholders were harmed, or that AFD placed unwarranted trades or paid excessive commissions. The NAC concluded that AFD’s violations, while “not egregious, were quite serious” and that a “substantial” fine of \$5 million was appropriate based on the facts and circumstances of the case.